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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Financial Management Improvement Program Agency Report

FROM:

Director of Finance
1212 Key Building

EXTENSION

NO.

DATE

25X1

TO: (Officer designation, room number, and building)

DATE

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Director
SIPS Task Force
GA3910 Hdqrs.

RECEIVED

FORWARDED

CONCURRENCE on File Copy.

2.

3. Director of Planning,
Programming and Budgeting
6-E-08 Hdqrs.CONCURRENCE on File Copy.

4.

5. Deputy Director for
Support
7-D-26 Hdqrs.

29 JUN 1971

RSL/m

CONCURRENCE on File Copy andRELEASE TO OMB6. Director of PPB
Rm 6E08, HqsTo No. 5:

7.

8.

9.

10.

11.

12.

13.

14.

15.

The attached report on Financial Management Improvement Activities has been prepared as heretofore for the signature of the Director of Finance in accordance with the designation of the Director of Finance to the Office of Management and Budget as the official who would represent the Agency in the Government-wide Financial Management Program. The attached report includes coverage on Planning, Programming and Budgeting based on contributions furnished by O/PPB and by Office of Computer Services and has been coordinated with those Offices.

L. E. BUSH

Director of Finance

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71-25521
PPB 71-1030

Mr. James M. Frey
Director, International Programs Division
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Frey:

In accordance with the provisions of the Office of Management and Budget Bulletin No. 71-11, there are enclosed an original and five copies of the Agency's Fiscal Year 1971 report on its Financial Management Improvement Program.

Very truly yours,



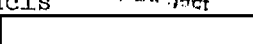
J. E. NEH
Director of Finance

Enclosure

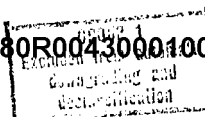
CONCURRENCES:

OF/PPS/HNL/rt (24 June 1971)

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Financial Management Improvement Program
Agency Report as of June 30, 1971

Agency: Central Intelligence Agency
Date : June 30, 1971

Part A - Accomplishments and Future Plans

1. 1971 Accomplishments

The financial management improvement effort during FY 1971 was concentrated principally in (1) improvement of the Agency's financial data base, (2) design and development of financial data evaluation tools and (3) simplification and refinement of accounting and reporting procedures. The more significant accomplishments were:

a. Organization

Consolidated the commercially oriented accounting and auditing functions of the Office of Finance through merger of the Proprietary Systems and Accounts Division with the Industrial Contract Audit Division to form one new division called Commercial Systems and Audit Division. This consolidation provides for the more efficient utilization of available manpower, flexibility to cope with the seasonal peaks in work loads through interchanges of personnel, broadening experience of employees, reduction of travel costs, and other administrative economies.

b. Budgeting

- (1) Extended the utilization of the new computer-based Automated Budget Control System (ABC) to the development of the FY 1973 - FY 1977 program. The ABC System provided financial schedules such as Agency and office summaries and office details by program and subobject class which are essential to the display and review of Agency programs. The ABC System was also used for the first full budget year in the formulation and justification of the FY 1972 budget.
- (2) Established a computer program in the Research, Development and Engineering area which arrays financial data on all projects for use by the RD&E Review Committee and top management in budget deliberations.
- (3) Improved the evaluation of program progress during the budget execution phase by the use of a comprehensive computer-based trend report provided by the ABC System.

c. Accounting

- (1) Simplified procedures for reconciling field installation annual property accountings with headquarters control accounts by eliminating line item confirmation of a minor volume of lateral transfers between such installations. This reduced by about 25% the research and analysis and

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more timely processing of the accountings.

- (2) Implemented methods to utilize computer capabilities in the voucher recording process for verification of debit and credit inputs for batch control purposes. This eliminated the requirement for manual verification of voucher totals and preparation of batch totals for approximately 300 vouchers per day.
- (3) Revised subobject class structure to provide for segregation of ADP costs to provide better information for management.
- (4) Assigned responsibility to area division budget and fiscal offices for processing field station reports of changes in financial accountability for transactions under the jurisdiction of the area division. Such reports had previously been initially controlled by the Office of Finance. The change has resulted in more timely processing and has eliminated some duplication of effort.
- (5) Implemented method to utilize a computer prepared personnel roster to assign names and division locations to advance accounts. This eliminated the manual operation of preparing header card inputs and verifying each new advance to determine if a header card already had been established.

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d. Reporting

- (1) The Agency's automated reporting system on ADP resources was revised to focus more intently on ADP equipment, manpower, and dollars.
- (2) Changed the format of computer runs reflecting status of advances from other Government agencies to provide clear text project identifications and to provide arrays of such projects by sponsoring agency as well as by Agency component responsible for each undertaking. Reports in this format have been beneficial to the overall management of this significant segment of Agency activities.

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e. Auditing

The Agency Audit Staff extended its use of computer assisted audit techniques to reduce the time otherwise required for manual scheduling and analysis of information needed to perform an audit. Special computer programs are used to assemble financial information needed on specialized audits. Statistical sampling is employed in the payroll audit by using a program which generates random numbers.

f. Automation

Several improvements in fiscal year 1971 involving automation in the functional areas resulted from one master program effort and are so interrelated that they are better discussed under this separate heading. The Agency's Support Information Processing System (SIPS) was established a few years ago with the prime objective of developing an integrated computer-based system for the management of personnel, financial, and materiel resources. Two of the more important SIPS achievements that benefitted Agency financial management during fiscal year 1971 were:

- (1) The installation of an Automated Budget Control (ABC) System as a fully operating managerial tool. The ABC System provides, from a single input of basic data, automated statistical and financial information in varying detail and arrangements for all levels of management in planning for and controlling the use of resources (see paragraph 1.b. above). Users of the system have benefitted from (a) a greater range of output reports, (b) savings of manpower in re-sorting the same basic information into the variety of ways reviewers analyze requirements, (c) greater accuracy and (d) ease of updating data to reflect effect of changes in resource allocations.
- (2) The approval of the Computer-Output-Microfilm (COM) processing facility. COM is a technology for recording computer output directly on microfilm at very high speed without intermediate printing of hard-copy. Without COM, computer outputs are formatted for listing and sorting, then written to magnetic tapes. These tapes are listed on an impact printer at a rate of about 1,000 pages an hour. Functionally, the COM recorder replaces the impact printer but is 10-20 times faster. Some of the advantages of computer-output-microfilm are:
 - (a) Faster turnaround on large print jobs -- the COM device can print 100,000 pages in an 8-hour shift compared to 8,000 pages a shift on an impact printer.
 - (b) COM eliminates laborious paper-handling tasks such as decollating and booking and the attendant delays.

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- (c) Compact storage of data - microfilm requires only two percent as much storage space as hard copy.
- (d) Convenient access to data - automatic cartridge readers provide rapid access to data and provide hard copy when needed.
- (e) Provides an archival copy of data files for contingency and vital materials purposes.

A good example of the benefits of COM is the Agency's new payroll system scheduled to become operative later this year. A large volume of old reports will be consolidated into six basic reports totalling 53,000-74,000 pages a pay period. The new reports will concentrate payroll data in year-to-date cumulative records for responses to about 2,000 inquiries each pay period. COM is the fastest and most economic way of making this large volume of information available to users.

g. Training

Pertinent statistics are provided in Tab A attached, evidencing the continuing attention which is being accorded internal and external training programs for financial management.

2. Future Plans

a. Budgeting

- (1) Automation of the allotment process to eliminate manual controls and record keeping will be programmed in 1972 for implementation in 1973.
- (2) Automation of personal service computations within the ABC System will be achieved to obtain more uniformity and precision in preparation of budget estimates and to reduce office work load.

b. Accounting

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- (2) Develop plan for computer prepared audit schedules.
- (3) Publish a digest of policy interpretations concerning application of Agency regulations for financial administration. The digest will be designed for the general information and guidance of certifying officers at headquarters 25X1
- (4) Complete development and evaluation of merits, including cost effectiveness, of a proposed system for processing field station accountings, utilizing computer techniques (see paragraph 1.c.(7) above).

c. Reporting

Development of a new system to identify ADP equipment and personnel costs allocable to services provided to Agency components. The new system will provide management with more accurate cost data on specific ADP services performed.

d. Automation

- (1) The objective of a totally integrated information system covering personnel, financial, and materiel resources will be nearer to fulfillment when the General Information Management System (GIMS) becomes operative. Installation of this system now targeted to begin near the end of fiscal year 1972, will provide:
 - (a) True interaction between basic resources data bases.
 - (b) An on-line update facility.
 - (c) An on-line customer query capability.
 - (d) A flexible reporting service involving the use of variable stubs and variable columns of data.
- (2) The ABC System services will be expanded to provide:
 - (a) Non-monetary schedules such as position information.
 - (b) Use of automation in computing financial requirements. The first item will be personal services. The computer approach has been designed, and the program is targeted for use in the fiscal year 1974 budget submission (September 1972).
 - (c) Specialized trend reporting services to satisfy the unique requirements of individual office managers.

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- (3) Strategically located Data Management Centers are proposed for establishment in fiscal year 1972. These centers will be the focal points for data input, query control and reports distribution and are expected to facilitate the managerial process by:
 - (a) Optimizing the utilization of equipment and technical personnel.
 - (b) Providing expertise in data handling.
 - (c) Automating the distribution of reports.

e. Other Improvement Effort

- (1) Implement new computer-based integrated payroll system for all personnel under official cover. The system with an implementation target date later in the year is expected to result in as yet undetermined manpower savings, primarily because of increased automation of the confidential fund payroll process.
- (2) Arrange for utilization of Treasury Department computer facilities to print U. S. Savings Bonds for CIA subscribers. This will eliminate the present system of preparing the bonds by use of addressograph plates.

f. Training

- (1) Continue to provide training opportunities in financial management.
- (2) The Planning, Programming and Budgeting Manual for use as the basic text in the budget training course will be revised to make it more comprehensive and to include recent revisions to budgetary practices.
- (3) Three seminars have been developed for use to enhance the understanding and value of the Automated Budget Control System:
 - (a) Background seminars for computer systems and technical personnel.
 - (b) Detail budget and ABC techniques seminars for operating office personnel involved in budget preparation and execution.
 - (c) Indoctrination seminars for operating management; designed to provide the "how" to use and benefit from ABC products and how to request managerial information from ABC.

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Organization and/or Accounting Entity	Status of Approvals by the Comptroller General		System in Operation
	Principles and Standards	Accounting System Design	
(a)	(b)	(c)	(d)
Central Intelligence Agency	- - - See Remarks Below - - -		

Remarks: Because of the CIA Act requirements to protect the security of Agency techniques and activities, the Agency accounting system has not been submitted for review by the General Accounting Office. However, the Agency system is in substantial compliance with the principles and standards established by the GAO.

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TAB A

INTERNAL TRAINING:

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<u>Course</u>	<u>Number of Courses Given</u>	<u>Time Period Per Course</u>	<u>Number of Participants</u>
Field Fin & Log	7	3 weeks	89
ADP Orientation	8	3 days	331
Advanced Mgmt Planning	4	1 week	126
Managerial Grid	4	1 week	154
Office of Fin Orientation	1	4 half days	35
Budget Process	2	5 half days	53

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EXTERNAL TRAINING:

<u>Institution</u>	<u>Course</u>	<u>Time Period</u>	<u>Number of Participants</u>
Syracuse University	Midcareer Executive Development Program	19 weeks	1
Harvard	Program for Management Development	14 weeks	4
Harvard	Public Administration	9 months	1
Harvard	Advanced Management Program	12 weeks	2
American University	Public Administration	4 months	1
American University	Economics	1 year	2
University of Md.	Math & Economics	1 year	1
University of Md.	Business Administration	1 year	1
University of Md.	Economics	1 year	1
University of Calif.	Systems Analysis	9 months	2
University of Calif.	Economics	1 year	1
UCLA	Economics	1 year	1
Stanford	Systems Analysis	9 months	1
Stanford	Sr. Executive Course	8 weeks	1
FSI	Economic Studies	6 months	2
University of Pittsburgh	Management Program for Executives	8 weeks	2
Penn State	Executive Management Program	4 weeks	2
Columbia University	Executive Program in Business Administration	6 weeks	4
M.I.T.	Program for Sr. Executives	9 weeks	1
Carnegie-Mellon	Program for Executives	9 weeks	1
Civil Service Commission	Accrual Accounting Workshop	1 week	6
Civil Service Commission	Principle & Practice of Auditing ADP System Environment	3 weeks	12
Brookings	Roundtable on Acct. & Financial Management	4 days	2

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